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FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

July 21, 1993

100 South Jefferson Road

Mr. William F. Caton Acting Secretary Federal Communications Commission 1919 M Street N.W. Washington, D.C. 20554

> Re: National Exchange Carrier Association,

Revisions to Tariff F.C.C. No. 5

Universal Service Fund and Lifeline

Assistance Rates

CC Docket No. 93-123

Transmittal Nos. 518, 527, 530 Written Ex Parte Presentation

Dear Mr. Caton:

The attached material was requested by Commission Staff. In accordance with Part 1.1206(a)(1) of the Commission's rules (47 C.F.R. § 1,1206(a)(1)) I am submitting two copies of the attached ex parte presentation to the Secretary. Please include it in the public record of the above captioned proceeding. Questions regarding this material may be referred to Tom Webb (201) 884-8067 or me (201) 884-8085.

Sincerely.

John A. Ricker

Director-USF & Support Programs

John Scott cci

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FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

July 21, 1993

Mr. Kenneth Horan Chief, Accounting and Audits Division Federal Communications Commission Room 812 2000 L Street, N.W. Washington, D.C. 20554

Mr. Moran:

Attached are copies of the data you requested Friday afternoon, July 16, 1993. I have included an explanation of each of the line items included on the USF ANALYSIS report that compares the revenues from IXCs and payments of USF to ECs. This analysis displays both filed and current view amounts.

Also included in the package are the rate development exhibits that were filed in support of NECA's current UBF tariff rate. The amounts included in the rate development (Exhibit I) and resizing (Exhibit II) exhibits correspond to the amounts in the USF AWALYSIS. Further, I have included the six-month analysis of month over month changes and the quarterly update impact analysis that we discussed yesterday on the phone.

NECA believes that the material being provided herein contains information pertinent to the Commission's ongoing investigation of NECA's UEF rates, and therefore is concurrently filing this

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USF ANALYSIS July 1993

PURPOSE

This analysis was prepared for Mr. Ken Moran, Chief of the Accounting and Audits Division of the FCC. It provides a comparison by tariff period of Interexchange Carrier Revenues and Exchange Carrier USF payments. In addition to comparing the filed amounts, this analysis also contains current view data as of NECA's May 17, 1993 USF Tariff filing. The cumulative result of the differences in Interexchange Carrier Revenues and Fund Requirement represents the resizing amount included in NECA's May 17, 1993 USF Tariff filing.

COLUMN DESCRIPTIONS:

are used for billing purposes. Generally this period is for six months, except in instances where the Commission has directed NECA to use a different rate level for some interim period (e.g.,

April through June 1989).

PSLs Presubscribed Line counts for Interexchange Carriers that meet

the Commission's qualification threshold for billing and ratemaking purposes. The basis for billing for the entire tariff

period.

RATE Monthly rate per Presubscribed Line proposed by NECA for

the tariff period.

Billing to Interexchange Carriers based on PSL counts and **PROJECTED IXC BILLING**

monthly rates. Amounts equal 6 mos. X PSLs X proposed

Monthly Rates.

USF REV. ROMTS. Filed amount that includes 6 months of EC Expense

Adjustment, 6 months of NECA Expenses, and prior period

resizing.

VARIANCE NECA USF rates are rounded to 4 decimal places.

> variance amount displays the difference between the projected IXC revenue and EC requirements resulting from rate rounding. Over-recovery and Shortfalls are included in future

period resizing.

IXC BILLINGS

Amount actually billed to IXCs based on approved rate levels for the period rates are actually in effect (e.g., tariff deferred for 1 month in January 1991). Differences are included in future period resizing.

IXC UNCOLLECTIBLES Amounts billed to IXCs that have been deemed as uncollectible after extensive collection efforts. Differences are included in future period resizing.

IXC REVENUES

Revenue actually received from IXCs. Billed amounts less uncollectibles.

EC PAYMENTS

Universal Service Fund Expense Adjustment amounts paid to qualified Exchange Carriers.

- Filed amounts are based on the results of the Annual Data Submission and Quarterly updates.
- Current View amounts are based on the latest view of EC expense adjustment levels.

Differences are included in future period resizing.

NECA EXPENSE

NECA Expenses allocated to the USF category in accordance with Section 69.603 of the Commission's Rules.

- Filed amounts are based on Projected Expenses
- Current View amounts are based on Actual Expenses Differences are included in future period resizing.

INTEREST INCOME

Income derived from investment of surplus IXC revenues recovered in a prior period. Negative amount indicates that shortfall condition existed requiring NECA to borrow funds to meet its USF payment obligations. Negative value represents the interest expense associated with the borrowed funds. Differences are included in future period resizing.

RESIZING

IXC Revenues less the Sum of EC Payments and NECA Expense netted for Interest Income. Negative amount indicates additional revenue requirement to be included in future rate filing.

UNIVERSAL SERVICE FUND

IXC REVENUES & EC PAYMENTS

TARIFF FILING VIEWS

TARIFF PERIOD	PSLs	RATE	PROJECTED IXC REVENUE	USF REVENUE REQUIREMENTS	VARIANCE
APR 89-JUN 89	120,244,460	0.1768	63,777,662	63,793,713	16,051
JUL 89-DEC 89	121,349,606	0.1752	127,562,706	127,587,426	24,720
JAN 90-JUN 90	123,063,038	0.2476	182,822,449	182,852,982	30,533
JUL 90-DEC 90	125,356,404	0.2367	178,031,165	178,048,836	17,671
JAN 91-JUN 91	126,883,689	0.3090	235,242,359	235,210,626	(31,733)
JUL 91 - DEC 91	129,000,782	0.3185	246,520,494	246,541,344	20,850
JAN 92-JUN 92	130,589,544	0.3823	299,546,296	299,515,770	(30,526)
JUL 92- DEC 92	132,017,921	0.3901	309,001,146	308,984,418	(16,728)
JAN 93-JUN 93	133,013,454	0.4604	367,436,365	367,475,124	38,759
JUL 93- DEC 93	136,423,594	0.4561	373,336,807	373,351,032	14,225
ALL PERIODS			2,383,277,449	2,383,361,271	83,822

UNIVERSAL SERVICE FUND

IXC REVENUES & EC PAYMENTS

CURRENT VIEW (May 17, 1993)

TARIFF PERIOD	IXC BILLINGS	IXC UNCOLLECTIBLES	IXC REVENUES	EC PAYMENTS	NECA EXPENSES	INTEREST INCOME	RESIZING
APR 89-JUN 89	63,777,662	(385,587)	63,392,075	66,183,477	1,249,166	(8,850)	4,049,418
JUL 89-DEC 89	127,562,704	(143,326)	127,419,376	132,824,511	2,567,844	(64,089)	8,037,068
JAN 90-JUN 90	182,822,450		182,822,450	169,051,311	2,418,073	(61,367)	(11,291,699)
JUL 90-DEC 90	178,031,166		178,031,166	170,124,758	3,720,713	106,261	(4,291,956)
JAN 91 - JUN 91	230,243,143	1 (11,720)	230,231,422	241,778,640	3,449,590	80,744	14,916,064
JUL 91 - DEC 91	246,520,494	(65,454)	246,455,040	243,079,275	4,655,601	8,816	1,271,020
JAN 92-JUN 92	299,546,296	(245,615)	299,300,680	302,892,416	4,508,145	(37,474)	8,137,355
JUL 92- DEC 92	309,001,146	(223,120)	308,778,026	305,076,084	5,339,772	(109,632)	1,747,462
JAN 93-JUN 93	364,204,139	2	364,204,139	350,816,813	5,108,127	(135,735)	(8,143,464)
APR 89-JUN 93	2,001,709,200	(1,074,822)	2,000,634,374	1,981,827,285	33,017,031	(221,326)	14,431,269

Notes: 1 Tariff deferral for 1 month by Common Carrier Bureau action.
2 Tariff deferral for 37 days and 1 day suspension with investigation order.

14-May-93 03:05 PM

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC. DEVELOPMENT OF UNIVERSAL SERVICE FUND AND LIFELINE ASSISTANCE MONTHLY RESIZING AMOUNTS July through December 1993

AMOUNT LINE UNIVERSAL SERVICE FUND INDUSTRY QUALIFIED PRESUBSCRIBED 1. LINES (PSL) 136,423,594 SIX MONTHS USF REVENUE REQUIREMENT FOR 1993 2. \$349,527,648 3. QUARTERLY & OTHER ADJUSTMENTS FOR 1993 \$3,819,876 SIX MONTHS NECA EXPENSES ASSIGNED TO USF 4. \$5,572,240 SIX MONTHS USF REVENUE REQUIREMENT 5. (LN.2+LN.3+LN.4) \$358,919,764 MONTHLY USF REVENUE REQUIREMENT 6. (LN.5/6)\$59.819.961 7. MONTHLY USF RESIZING AMOUNT (EXHIBIT II) \$2,405,212 MONTHLY TOTAL USF REVENUE REQUIREMENT 8. (LN.6+LN.7)\$62,225,172 MONTHLY USF RATE PER PSL 9. (LN.8/LN.1) \$0.4561 LIFELINE ASSISTANCE 10. SIX MONTHS LA REVENUE REQUIREMENT FOR 1983 \$62,986,493 11. SIX MONTHS NECA EXPENSES ASSIGNED TO LA \$924,787 12. SIX MONTHS LA REVENUE REQUIREMENT (LN.10+LN.11) \$63,913,280 13. MONTHLY LA REVENUE REQUIREMENT (LN.12/0) \$10,652,213 MONTHLY LA RESIZING AMOUNT 14. (EXHIBIT II) \$387.568 15. MONTHLY TOTAL LA REVENUE REQUIREMENT (LN.13+LN.14) \$11,039,781 16. MONTHLY LA RATE PER PSL (LN.15/LN.1) \$0.0809

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC. DEVELOPMENT OF UNIVERSAL SERVICE FUND AND LIFELINE ASSISTANCE MONTHLY RESIZING AMOUNTS July through December 1993

LINE	DESCRIPTION	4/1/89-12/31/92 ACTUALS	1/1/93-3/31/93 ACTUALS	2ND QTR '93 PROJECTED	TOTAL	MONTHLY
		(A)	(B)	(C)	(D=A+B+C)	(E=D/6)
U -	NIVERSAL SERVICE FUND					
1.	USF REVENUE	\$1,636,430,235	\$180,485,956	\$163,716,163	\$2,000,634,374	N/A
2.	USF ALLOCATED NECA EXPENSE	\$27,908,904	\$2,499,672	\$2,606,455	\$33,017,031	N/A
3.	USF EC REQUIREMENT	\$1,631,010,472	\$175,061,210	\$175,755,603	\$1,981,827,285	N/A
4.	USF INTEREST INCOME (EXPENSE)	(\$85,592)	(\$80,785)	(\$54,950)	(\$221,326)	N/A
5 .	TOTAL USF REVENUE REQUIREMENT (LN.2+LN.3-LN.4)	\$1,659,004,966	\$177,641,667	\$178,419,008	\$2,015,065,643	N/A
6.	USF RESIZING AMOUNT (LN.5-LN.1)	N/A	N/A	N/A	\$14,431,269	\$2 ,405,212
UF 	FELINE ASSISTANCE					
7.	LA REVENUE	\$321,449,467	\$31,005,486	\$31,005,436	\$363,460,339	N/A
8.	LA ALLOCATED NECA EXPENSE	\$6,334,842	\$416,675	\$434,806	\$7,186,325	N/A
9.	LA EC REQUIREMENT	\$320,045,610	\$29,543,936	\$29,543,937	\$379,133,483	N/A
10.	LA INTEREST INCOME (EXPENSE)	\$558,812	(\$11,645)	(\$13,103)	\$534,064	N/A
11.	TOTAL LA REVENUE REQUIREMENT (LN.8+LN.9-LN.10)	\$325,821,640	\$29,972,256	\$29,991,848	\$385,785,744	N/A
12.	LA RESIZING AMOUNT (LN.11-LN.7)	N/A	N/A	N/A	\$2,325,405	\$367.566

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Data Month	(C-4	1000	h#1	n 1993	A21	4000	84	y 1993	h ma	1993	
MORIUI	January 1993 Payments	Februar Adjustments	ry 1993 Payments	Adjustments	1 1993 Payments	April Adjustments	Payments	Adjustments	Payments	Adjustments	Payments	
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Jan-91	40,242,839		40,242,839		40,242,839		40,242,839		40,242,839		40,242,839	
Feb-91	40,242,839		40,242,839		40,242,839		40,242,839		40,242,839		40,242,839	
Mer-91	40,263,273		40,263,273	29,346	40,292,619		40,292,619		40,292,619		40,292,619	
Apr-91	40,362,307		40,362,307	29,346	40,391,653		40,391,653		40,391,653		40,391,653	
May-91	40,392,383		40,392,383	29,346	40,421,729		40,421, 729		40,421,729		40,421,729	
Jun-91	40,392,383		40,392,383	29,346	40,421,729		40,421,729		40,421,729		40,421,729	
Jul-91	40,490,902		40,490,902	29,346	40,520,248		40,520,248		40,520,248		40,520,248	
Aug-91	40, 507,69 6		40, 507,696	29,346	40,537,042		40,537,042		40,537,042		40,537,042	
S ep −91	40,507,696		40, 507,69 6	29,346	40,537,042		40,537,042		40,537,042		40,537,042	
Oct-91	40,583,101		40,583,101	29,346	40,612,447		40,612,447		40,612,447		40,612,447	
Nov-91	40,582,978		40,5 82,978	29,346	40,612,324		40,612,324		40,612,324		40,612,324	
Dec91	40,582.978		40.5 <u>82,978</u>	<u> 29,346</u>	40.612.324		40.612. 324		40.612.324		40,612,324	
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USF QUARTERLY IMPACTS

Tariff Filing	Prospective	Resizing
5/17/93	\$4,112,448	\$690,966
11/17/92	\$360,174	\$ 0
5/15/92	\$2,614,368	\$167,979
11/15/91	\$ 750,910	\$0

Notes:

The December 31 quarterly update commences payment on April 1 and is included in the May tariff filing. Payments for the second quarter are included in resizing.